

USAWC STRATEGY RESEARCH PROJECT

CHINA-ASEAN FUTURE RELATIONS-AN ANALYSIS

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## ABSTRACT

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Strengthening ties with its neighbors has been the official diplomatic strategy of China since 1996. China reaffirms that it would commit itself to becoming a force for peace and stability in Southeast Asia. It stresses that neighboring countries would be "treated with kindness," hence posits its benevolent intent in handling various territorial, border and fishing disputes throughout the region. To achieve its regional objectives, China has the pressing need to maintain and enhance relations with the Association of Southeast Asian Nations (ASEAN). Such situations will eventually promote peace and stability in the region that are suitable for both parties' economic growth and national development.

Meanwhile, besides advocating "preventive diplomacy" among its members and with surrounding nations, ASEAN has launched a promising attempt to expand into a unified body that addresses economic matters particularly with China. Both parties acknowledged that economics are the driving force for development. Correspondingly, there has been a rise in the quality of China's diplomatic representation in Southeast Asia. ASEAN's future undertaking will continue to be on promoting closer regional integration for mutual benefits in developing their respective countries. In all probability, China and ASEAN future relations will be a mixture of cooperation on some fronts, and unresolved issues conducive to tension on the other fronts.

At present, the United States of America's (U.S.) security concern in Southeast Asia is to prevent the domination of an unfriendly power, and assuring U.S. political access and influence. Thus far, ASEAN welcomes U.S. presence and policy towards the region that it deems vital in safeguarding the regional balance of power and ensuring open trade. In light of China's growing military and economic power, ASEAN prefers that the U.S. remains engaged as a counterbalance to China's might in order to promote peace, stability and economic prosperity of Southeast Asia.



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## CHINA-ASEAN FUTURE RELATIONS-AN ANALYSIS

We (China) do not desire one inch of foreign soil.<sup>1</sup>

- Mao Tze Tung

Throughout history, China stands at the center of the East Asian international system. China has dominated the region by its vast size, its huge population and its dominant military might, as compared to the Southeast Asia countries. From a historical perspective, China once posed threats to the latter. There was a Chinese-complicit communist threat in the 1960s and the 1970s as experienced by Indonesia, Malaysia and Philippines. China's incursion into northern Vietnam in 1979 to teach them a lesson over its occupation of neighboring Cambodia was a sinister omen to the region. Some realists argue that Southeast Asia countries regard China as a threat to their security since there are no other states in the region big enough to counterbalance it.<sup>2</sup> In the near term, China's rise raises the prospect of intraregional competition within East Asia, especially if America's role as an extra-regional balancer wanes.<sup>3</sup>

Despite some political liberalization over the last decade, China remains an authoritarian state with the Communist Party as the supreme authority. The proposition that dictatorships are more prone than democracies to wage war against their neighbor for their strategic gains has implication towards the security of the region. Bearing these in mind, how does China conduct her relations with her neighbors, particularly the Association of Southeast Asia Nations (ASEAN)? There is skepticism towards the idea that a strong modernized China would be a benign actor in this region. There are several factors behind such perceptions particularly due to the unresolved overlapping claims to all or parts of Spratly Islands to China's economic growth. What are the future solutions for the overlapping claims on Spratly Islands? Would China show her prowess and use her military might to solve the contentious issues? In this globalization era, would China use the strategy of consultation in its future relations with ASEAN? This paper will discuss these questions.

In analyzing China-ASEAN future relations, this paper employs realism as the central paradigm in international relations. As Joseph S. Nye Jr reiterates "the Westphalia system of sovereign states is still the dominant pattern in international relations and will remain so for a long time to come."<sup>4</sup> Briefly, the basic tenet of realism elucidates that the state is the most important actor in international relations, and that the dominant concerns of states are with power and security. The fundamental question thus focuses on whether China practices a realist viewpoint in her international relations. This paper will first look at the reasons of ASEAN

formations and its objectives. Subsequently, in analyzing its relations with ASEAN, I will use China's foreign policy and national interests as a benchmark.

### ASEAN'S BACKGROUND

The political-strategic objective of fostering peace and stability among the non-communist states of Indonesia, Malaysia, Philippines, Singapore and Thailand motivated the formation of ASEAN in 1967.<sup>5</sup> ASEAN is not a military pact and was formed not only to promote regional peace and prosperity, but as a bulwark thrown up against Soviet domination. Brunei joined ASEAN in 1984. The most significant expansion came in 1995 with the admission of Vietnam, an authoritarian state, as opposed to other members that practice democracy. This was truly a historic development in the regional strategic outlook.<sup>6</sup> ASEAN admitted Laos and Myanmar in 1997. Since then ASEAN has never looked back. With the formal admission of Cambodia in April 1999, the vision of the Founding Fathers to unite all Southeast Asia nations under one roof has materialized, as shown below is the map of ASEAN members.



FIGURE1

ASEAN forms approximately 8% of the world's population with the economies of member countries diverse, with major products including electronic goods, oil and wood.<sup>7</sup> Early attempts by the ASEAN members to cooperate in trade and industrial development in the 1970s and 1980s did not produce a satisfactory outcome.<sup>8</sup> As observed by Chia Siow Yue, this was due to several reasons such as:<sup>9</sup>

- Economic integration was not in the members' agenda, as they were still pursuing import substitution.
- The majority of member states were still nurturing infant industries.
- The member states economies were producing similar primary products for export, lacked complimentarily and labor-intensive manufactures.
- Individual economies were oriented towards extra-ASEAN partners, and intra-ASEAN trade investment was not of paramount importance to any single country, and
- The wide gap in tariff level among countries made tariff convergence difficult.

ASEAN calls for mutual respect for the sovereignty, territorial integrity and non-interference in internal affairs of other states. Operating by consultation and consensus, its future undertakings would continue to be on promoting closer regional integration for mutual benefit in developing their respective countries. Even though ASEAN emphasizes intra-regional cooperation, it continues to be outward looking particularly on matters that could affect the security and stability of the region. They have agreed on common objectives known as 'ASEAN vision 2020'<sup>10</sup>, which was translated into an action agenda known as the Hanoi Plan of Action in December 1998. Politically and economically, ASEAN is gaining international weight and influence.

### **CHINA'S FOREIGN POLICY**

The primary goal of a nation state's foreign policy is to ensure its survival.<sup>11</sup> Foreign policy is fundamentally the task of evolving strategies that use a state capability to achieve the goals set by its leader or decision-makers under the pretext of national interests. According to Frankel, "national interest is the key concept in foreign policy."<sup>12</sup> In essence, it amounts to the sum total of all national values. One common-sense definition describes it as the general and continuing end for which the nations act.<sup>13</sup>

Starting in 1978, Deng Xiaoping set economic development as his top priority, and he acknowledged that international peace was necessary to achieve this objective. Since then, China has embarked on a policy of peaceful relations with the rest of the world.<sup>14</sup> China's strategic culture is the result of interplay between Confucian and realpolitik strands.<sup>15</sup> Chinese

elites believe strongly that their country's strategic tradition is pacifist, non-expansionist, and purely defensive, but at the same time able to justify virtually any use of force including offensive and pre-emptive strike as defensive in nature.<sup>16</sup>

In July 1998, China issued a Defense White Paper,<sup>17</sup> which outlined China's vision of a post Cold War Asia security order.<sup>18</sup> China has taken a positive role in the United Nations (UN), and in other international organizations, and has become more adept at taking part in international discussions.<sup>19</sup> In recent years, Chinese officials' dealings with foreign countries have been cooperative, whereby China's top leaders listen to other views and operate within their system.<sup>20</sup> Over time, China would rise to a position of global prominence.<sup>21</sup>

Informal relations between ASEAN and China began in 1991 when Chinese Foreign Minister, Qian Qichen, attended the 24<sup>th</sup> ASEAN Ministerial Meeting in Kuala Lumpur as a guest of the Malaysian government.<sup>22</sup> During this meeting, he reiterated China's desire for closer cooperation with ASEAN. The ASEAN-China Summit has become an annual event since then. In 1994, ASEAN and China formalized their relations in an exchange of letters between the Secretary General of ASEAN and Qian, who was also by then Vice Premier.

ASEAN accorded full dialogue status to China in 1996 during the 29<sup>th</sup> Ministerial Meeting in Jakarta. Under the dialogue, the ASEAN-China established a Joint Cooperation Committee to coordinate all mechanisms at the working level. ASEAN and China also established a forum on political and security issues. Beijing has deliberately changed its strategic engagement with Southeast Asia, and extended a hand of strategic partnership to ASEAN. A more pragmatic China has redefined the geopolitical relationship between Beijing and ASEAN, as China seeks stability and equilibrium for its economic and political development based primarily on its current slogan of 'Stability, Development, Reforms'.<sup>23</sup> ASEAN countries welcome the current Beijing's relations with the region.

The recent ASEAN-China Summit held after the eighth ASEAN Summit in Phnom Penh in November 2004 was particularly productive, which saw both parties signing several landmark agreements. The most important was the Framework Agreement on ASEAN-China Free Trade Area spanning 10 years with China becoming the first dialogue partner to sign such a pact with ASEAN.<sup>24</sup> I will discuss this under the Economic Issue.

## TAIWAN ISSUE

Beijing has never supported the idea of an independent Taiwan, and been insisting on its 'one country-two system' concept.<sup>25</sup> Mainland China has claimed to be the sole legitimate government representing all China, including Taiwan. National unification is one of the Chinese core strategic cultural values for half a century. It is an immutable principle in part because China's history of division and inability to stop exploitation and oppression by foreign powers.<sup>26</sup> Mainland China has not revoked its right to use military means to "unite" Taiwan with it, as China sees Taiwan as a "renegade province."<sup>27</sup> Any recognition by other nation-states on Taiwan as a nation is harmful towards China's sovereignty. At stake is China's territorial integrity and national unity. Hence, ASEAN members have not taken sides on this issue as this is against the objectives of the organization. Largely, ASEAN members reaffirmed their support for its 'one China Policy' during their Ministerial Meeting in Singapore in July 1999.

The United States (U.S.) has been involved in this dispute because of the Taiwan Relations Act of 1979.<sup>28</sup> The act obligated the U.S. to protect Taiwan in the event of a Chinese attack.<sup>29</sup> During the Taiwan Strait Crisis in 1995-96, the U.S. move to dispatch the U.S.S. Independence and U.S.S. Nimitz to the vicinity of Taiwan confirmed this obligation.<sup>30</sup> Based on the Taiwan Relations act, Presidents Ronald Reagan and George H.W. Bush sold numerous weapons to Taiwan to strengthen its defenses against China.<sup>31</sup> The U.S. readiness to provide Theater Missile Defense to Taiwan has angered China.<sup>32</sup> Beijing has identified Washington as Taipei's protector.<sup>33</sup>

President Chen Shui Bien has stated that Taiwan is already an independent nation, but Chinese leaders have long declared Taiwan to be part of China.<sup>34</sup> Reconciliation between Beijing and Taipei is certain to be difficult to attain, and unification is probably unachievable within the near future.<sup>35</sup> The complex relationship between Beijing, Taipei and Washington makes the risk of conflict a serious possibility. China would like to have a unified country, but support for Taiwan in the U.S. Congress makes it difficult. This does not mean that the U.S. will support Taiwan at every instance, for if Taiwan is too provocative in dealing with China, it may lose U.S. support.<sup>36</sup>

In terms of cross Taiwanese Strait economic, facts are compelling: almost \$130 billion in Taiwan business investment lies in mainland China, and about 1 million Taiwanese work and live there. Taiwan now accounts for 25 percent of all foreign investment in China.<sup>37</sup> ASEAN and Taiwan have had a business relationship since 1988.<sup>38</sup>

## SPRATLY ISLANDS ISSUE

The Spratly Islands are a group of over 100 islands, rocks, reefs and shoals spread over an area of 180,000 square kilometers in the South China Sea.<sup>39</sup> There are six claimants to all or part of these islands, namely: China, Vietnam, Taiwan, Malaysia, the Philippines and Brunei.

The competing maritime claims in the South China Sea pose considerable symbolic significance for each claimant. Primarily in realist perspective, it is all about sovereignty and national interests with internal dynamics playing a major role in driving some of the claims.

From China's perspective, the Spratly issue affects her national honor by reminding the Chinese of their humiliating historical experience of losing territories. With sentiment running high, after losing territories to the Western powers a century ago, China now feels that she should not lose territories to regional countries. This would be damaging not only to Chinese national pride but also to the legitimacy of the communist regime. The Chinese feel that they are merely recovering lost national sovereignty.<sup>40</sup> Beijing has persisted in its claim that the Spratly has been China's territory since ancient times.

A number of disputes involving China over the Spratly Islands continue to be a major concern for the ASEAN members. China and Vietnam fought a naval battle in the area (Paracel Islands) in March 1988, and there have been other occasional exchanges of fire among troops stationed in the area.<sup>41</sup> The last known incident in the Spratly Islands, which involved China, was when her fishing vessels clashed with the Philippine Navy off Scarborough Shoal in May 1999. The Philippines has long had the worst of the quarrel with China over Mischief Reef, which China occupied in 1995. The Chinese Navy has continued to fortify the reef claiming that the new structures are merely a haven for its anglers. Recent events confirm that maritime territorial disputes in the South China Sea remain an issue. For instance, driven by Manila's growing uneasiness over an increasingly number of visits by Chinese research vessels and warships in the Spratly Islands, the Philippines conducted an exercise with the U.S. in the South China Sea in February 2004.<sup>42</sup>

The best means of assuring the overall settlement would be through the current international law. There may be a role for the broader international community by bringing the UN into play. The International Court of Justice (ICJ) can help to resolve the legal dispute over ownership of the islands.<sup>43</sup> Within ASEAN, there have been moves by Malaysia, Indonesia and Singapore to solve their overlapping claims through the ICJ. However, previous response to suggestions of any extra regional authority having a direct role over disputes in the South China Sea had strong opposition by the claimants particularly China. Since Taiwan is one of the claimants, I believe China's refusal has to do with the question of recognizing Taiwan's

sovereignty. By agreeing to the ICJ, indirectly China will recognize Taiwan as an independent state. This is the last thing that a country, which practices 'realpolitik'<sup>44</sup> will likely do. To date, China refuses to allow Taiwan to become a signatory to any legal accord in the South China Sea. In a way, China's security concern has been to deny the South China Sea of any of its adversaries. Hence, Taiwan will continue to be a problem.

One can also argue that maintaining status quo without an overall settlement of the issue will increase the risk of confrontation as military and commercial activities increase. Hence, in November 2002, ASEAN and China signed a non-binding declaration in Phnom Penh in which claimants agreed to avoid actions that could raise tension in the South China Sea.<sup>45</sup> The idea is to turn the potential zone of maritime conflict into a zone of cooperation based on common interests and mutual benefits. Largely, the ASEAN Regional Forum (ARF) has addressed the issues of security in Southeast Asia. The fact that China attended this forum, and other similar forums, is a mark of the progress in bringing China into the region in a constructive and positive way. China's decision to sign the Treaty of Amity and Cooperation (TAC) with ASEAN on 8 October 2003 is a case in point.<sup>46</sup> Not only does the TAC commit ASEAN and China to a non-aggression pact, but it also increases the possibility of a more binding agreement on the South China Sea in the future.

Richard Hull predicts that it is unlikely that China will interfere with the freedom of navigation on South China Sea or attempt to force other claimants' nations from the Spratlys.<sup>47</sup> It will be against Beijing's proposal to develop a 21st Century oriented good neighborhood partnership of mutual trust with ASEAN. Furthermore, China has never fought an aggressive war throughout its long history, and China has never threatened other countries.<sup>48</sup> Beijing's leadership argues that China and ASEAN countries should first make the best use of existing mechanism of dialogue and cooperation to broaden their exchanges and cooperation at all levels. Beijing has also proposed to handle any differences between China and ASEAN countries through friendly consultations.<sup>49</sup>

What are the implications of the overlapping claims toward the security of the region? The Southeast Asia region, and its surrounding waters, is one of the strategic interests of the great powers particularly the U.S. The U.S. has significant economic and security interests in Southeast Asia and regards the South China Sea as a vital waterway. With American companies increasingly involved in oil exploration in the Spratlys, the U.S. might just find herself involved in the South China Sea disputes, if the lives and interests of Americans are in danger. Any instability in the region will inevitably beckon the U.S. attention and involvement. Further discussion is under the U.S. issue.

## ECONOMIC ISSUE

Up to 310 million of 1.2 billion of China's population live below the international poverty line.<sup>50</sup> In 1998, around 70 million were unemployed in China.<sup>51</sup> China still has about 150 million underemployed rural laborers, eager to find jobs. China's Gross Domestic Product (GDP) per head has risen from a quarter to half the world average whilst her Gross National Product (GNP) has grown on average 9 percent a year.<sup>52</sup> China needs robust economic growth to be able to employ the millions of young people who enter the work force every year. Having the world's largest economy will benefit China little in the future if the number of mouths to feed, bodies to clothe and hands to employ outstrips her economic growth. This concerns Beijing, as this will pose 'the most visible threat to China's political stability'.<sup>53</sup> What option is available to Beijing? Demographic trends suggest that China has no alternative but to depend on the outside world. One of the ways to create jobs is to attract foreign investment. China has to expand her economy in order to create enough new jobs to prevent social instability. China joined the World Trade Organization as a member in December 2001 and its economy is changing rapidly. As the global economy continues to suffer from a prolonged slowdown, Asian countries have grown increasingly more nervous over China's economic liberalization, and worry that it will suck in the already limited financial resources that are flowing in the region. Already, there has been noticeable diversion of foreign direct investments (FDI) flow to China at the expense of other Asian countries, particularly among ASEAN. In the early 1990s, ASEAN accounted for about 30 percents of FDI in developing Asia, while China accounted for 18 percent. By 2000, ASEAN's share had fallen to only 10 percent, while China had increased to 30 percent.<sup>54</sup>

Beijing has been eager to find capital, markets, resources and technology in as many neighboring countries as possible. Due to their geographic proximity, ASEAN and China have found in each other a vast market for their respective exports. Thus, China's relations with ASEAN have substantially improved over the last decade: China is ASEAN's seventh largest market. A significant number of ASEAN investors have set up joint ventures in numerous sectors in China. Chinese investors have begun to establish their presence in Singapore and Indonesia.<sup>55</sup> This has involved an expansion of commercial relations. Private sectors from both parties have also taken further efforts to promote trade and economic cooperation.

I believe the above type of cooperation will continue in the future. In the Chinese Premier's words, "China cannot develop without East Asia, neither can East Asia prosper without China."<sup>56</sup> Beijing realizes that ASEAN countries have slowly become a trading power and regional markets. The countries of Southeast Asia are home of 500 million people and have

combined GDP of more than \$700 billion.<sup>57</sup> With large numbers of young, educated and hard working people, the ASEAN region is one of the fastest growing in the world. This would provide the basis for China's economy to revive its weakening economic growth.

Prior to the 1990s, East Asia was the only major economic region in the world that had not established a Free Trade Area (FTA). The economic crisis that engulfed the entire ASEAN region in 1997 created a new challenge to ASEAN. The severity and speed of the contagion clearly showed a high degree of interdependence among ASEAN economies. ASEAN leaders realized that they should now redouble their efforts to inculcate ASEAN economic cooperation. The present situation demanded ASEAN to establish the ASEAN Free Trade Area (AFTA). AFTA was born out of pressure for a 'binding factor' to keep ASEAN relevant to its members, as well as economic imperative to integrate and be competitive vis-à-vis the emergent economic blocs in North America and Europe and the rise of China.<sup>58</sup> ASEAN has to address the fact that competition for foreign investment will become fiercer as more countries and regional groups open their markets. ASEAN can maintain its competitive edge by increasing the pace of liberalization within AFTA. To prevent ASEAN from splitting into rich and poor economies, this measure is urgent. ASEAN members should help each other in capacity building and narrow the development gap. A cohesive ASEAN would increase the group's bargaining power and help facilitate negotiations for greater market access for its products and services.

China has given another push to ASEAN regionalism when China first proposed an FTA with ASEAN in November 2000.<sup>59</sup> In November 2002, ASEAN and China signed the Framework Agreement on Comprehensive Economic Cooperation that commits both parties to an FTA covering trade in goods and services, investments liberalization and facilitation, and other areas of cooperation.<sup>60</sup> There is a growing realization that with China, ASEAN could form a large and dynamic economic bloc, able to harness regional resources to resolve regional problems, to seek a more effective voice in the global arena hitherto dominated by western interests.<sup>61</sup>

Economically, the ASEAN-China FTA has effectively linked China closer to ASEAN. The FTA will enhance a sense of community within East Asia and lay the foundation for broader regional economic cooperation and ensuring peace and stability. This will result in the world's biggest free trade zone of nearly two billion people with a combined gross domestic product of U.S. \$2 trillion by 2010.<sup>62</sup> Last year, ASEAN-China trade reached nearly U.S. \$79 billion and should rise to U.S. \$90 billion this year.<sup>63</sup> This reflects that China provides opportunities for ASEAN economies to prosper with the increase of Chinese investments in the region. I believe this trend will continue in years ahead.

## **U.S. AS A BALANCE OF POWER**

The U.S. security concern in this region is to prevent the domination of an unfriendly power and assuring U.S. political access and influence. The Bush administration's National Security Strategy (NSS) of 2002 does not permit any power to equal or surpass U.S. military strength globally.<sup>64</sup> Chinese officials see the U.S. as the dominant power in Asian and world affairs, and the main potential international danger that can confront and complicate China's development and rising power.<sup>65</sup>

The stability of the region is perhaps the most pressing and tangible vital interest to ensure the continued peace and prosperity of the region. Scobell defines "enduring peace" as the presence of thriving regional and sub regional cooperation mechanisms in the arenas of politics, economics, security and environment.<sup>66</sup> In addition to terrorism, the stability of this region is likely to be challenged by several issues such as those on the Korean Peninsula (reunification and nuclear non-proliferation), the rising tension between China-Taiwan, India-Pakistan (Kashmir conflict) and at the South China Sea (overlapping claims, maritime issues and piracy). In addition, a wide range of other unconventional security issues such as illegal immigration, arms trafficking and other form of transnational organized crime further complicate the situation in the region.

President Bush has reiterated in the NSS that, "only nations that share a commitment to protecting basic human rights and guaranteeing political and economic freedom will be able to unleash the potential of their people and assure their future prosperity."<sup>67</sup> Hence, the President's NSS affirms the U.S. commitment to help make the world a safer and better place. The National Military Strategy supported the aims of the NSS, and implemented the 2004 National Defense Strategy where it described the Armed Forces plan to achieve military objectives.<sup>68</sup> As the world's pre-eminent power, the U.S. has the ability to shape global geo-politics and security on its own terms. Hence, a U.S. military presence in some form or another is essential for peace, security and prosperity in the Asia Pacific. The U.S. Pacific Command mission statement affirmed this by reiterating "ready today and preparing for tomorrow, the U.S. Pacific Command promotes security and peaceful development in the Asia Pacific region by deterring aggression, enhancing regional security cooperation, responding to crises and fighting to win."<sup>69</sup>

Since ASEAN countries are no match for China's superiority, the role of the U.S. as an 'honest broker' or balancer of security interests in the region is still relevant. ASEAN realized that an effective antidote to a power is another power. The Philippines, Singapore, Thailand and Indonesia, have traditionally looked to the U.S. to keep a balance with China.<sup>70</sup> Robert Manning

makes a similar point. In his words “for the nations in East Asia, the U.S. remains the only power capable of influencing China’s behavior.”<sup>71</sup>

Over the past two years, the U.S. has significantly increased its engagement of ASEAN and its member nations. ASEAN’s importance to the U.S. reached historic levels after the terrorist attacks of 2001.<sup>72</sup> The region, which includes leading moderate Islamic countries was quick to join the world in the war against terrorism, and will continue to play their role in the effort. ASEAN also played critical role in helping strengthen the U.S. economy in 2003. Two-way trade between the U.S. and ASEAN that year totaled \$120 billion, with U.S. exports to the ASEAN region reaching \$44 billion.<sup>73</sup> U.S. exports to ASEAN are more than twice as large as its exports to China. Therefore, access and participation in ASEAN markets is important to the economic futures of both the U.S. and ASEAN countries.

## ANALYSIS

**Foreign Policy.** China’s huge size and its rapid growth are enough to disrupt the balance of power in the Southeast Asia region. It is natural to cast China as the regional hegemony. China’s leadership wants for their republic the respect due to any big power. In a way, the international community welcomes a strong China because a weak and insecure China would bring nothing but trouble to the region. Largely, China’s relation with ASEAN clearly reflects realist bias where national interests and security are the main agenda. Realists view developments in the external environment as being of critical importance. They have identified the primary interest of the state in question to be the maintenance of national security.

As mentioned, China’s strategic culture is anti-hegemonic, and China will use force quite readily; China persists, repetitiously, that defense is its policy. Thus, ASEAN members inevitably will maximize their diplomatic and political instruments of national power into play. ASEAN countries recognized this; therefore, it is not surprising that cooperation between ASEAN and China has grown tremendously in various areas after the establishment of ASEAN-China Consultative Dialogue in 1994. The current economic performance of China and ASEAN, and greater political stability, peace and security as a whole in the region, is a reflection of the current cooperation.

**Taiwan Issue.** The likely potential conflict that will erupt, in the region that involves China, is the Taiwan issue. China will not sit by and watch Taiwan become independent as it always persists on the ‘one-China Policy’. It has seriously threatened to engulf Taiwan in a “sea of flames” of a just war for China’s reunification should the island dare to make any reckless moves. While political elites on both sides of the Taiwan Strait have a great interest in avoiding

military conflict, hostility is still a probability. A military conflict in the Taiwan Strait poses a direct threat to the stability of the entire region. The stability of the region is in U.S., China and ASEAN members' vital national interest. For the U.S., the dominant challenge in the near future is to deter the conflict in the Taiwan Strait. Overall, the U.S. commitment to the security of the region, and its overall balance of power, is still relevant and are welcome by ASEAN countries.

**Spratly Issue.** Beijing has shown some flexibility on some of the territorial issues that in the past prompted rigid and assertive postures. ASEAN members need to use the existing mechanism of ASEAN and ARF to engage China in a strategic dialogue, expanding China's involvement in multilateral forums, and increasing transparency. ASEAN should also sustain and nurture relations with China to improve cooperation. More interactions at the political, economic, social and cultural levels among governments, businesses, and civil societies will help in the long process of confidence building and community building.

**Economic Issue.** An integrated ASEAN would attract more foreign investments and improve their economic competitiveness through economies of scale and specialization according to comparative advantages of each member states. China today has become an economic opportunity for ASEAN since Beijing has deliberately changed its strategic engagement with ASEAN as China seeks stability and equilibrium for its own economic development. The ASEAN-China FTA has effectively linked China closer to ASEAN. Chinese leaders realize that as a trading nation they now have a large stake in the world order. While China may be taking the lion's share of the investment dollars from ASEAN, these countries have not entirely dropped out of investors' list altogether. In fact, even within ASEAN, the newly industrialized economies are likely to gain much from China's WTO accession in the future. Although the less advanced ASEAN countries will certainly lose in the short to medium term, the link-up between the ASEAN bloc and China will inevitably mean benefits in the end.

In terms of the U.S.-ASEAN relations, the U.S.-ASEAN two-way trades totaled \$120 billion last year. Thus, the importance of a secure trade is vital in the context of both parties. With the growing importance of the ASEAN region, the U.S. role in this region is poised to increase in the future.

**U.S. as a Balance of Power.** The U.S. will continue to safeguard the regional balance of power and ensure open trade. Due to China's growing military and economic power, ASEAN prefers that the U.S. remain engaged in the region and act as a counterbalance to China's influence.

## CONCLUSION

Regional peace is ASEAN greatest achievement to date. It is undeniable when one considers the situation in the years before its founding in 1967. Separately, individual countries would have little chance of attracting serious attention of external powers. ASEAN has earned a growing recognition in international community, and has clearly demonstrated the gains of political cooperation. The territorial disputes in the South China Sea are a major security concern not only to the claimants but also to the international community. Recently, ASEAN members have been increasingly alarmed at China's 'act now, talk later' strategy in the region.

China's rise to power has brought both benefits and concerns to the ASEAN members. In the short term, ASEAN hopes to benefit from China's modernization program by taking advantage of economic opportunities. However, as the reform process continues, China is able to augment its political, economic and military influence in the region. ASEAN supports the policy of engagement with China, hoping that the economic interdependence, and China's participation in the embryonic regional security architecture, will mitigate their security concerns. Nevertheless, they also take a realistic view of the rise of China, recognizing that the policy of engagement needs a military-security dimension. To a varying degree, the ASEAN states worry about how a powerful China will behave, and whether it will use its newfound power to seek regional hegemony, resolving territorial disputes by force and interfering in the internal affairs of its neighbors. Nevertheless, lately, China appears to have adopted a more accommodating attitude towards these disputes. China has demonstrated the willingness for dialogue. On the positive side, China has engaged in both bilateral and multilateral negotiations with ASEAN and has accepted membership in the ARF. China has acknowledged the central role of the ARF in maintaining regional peace and security in the region; a strategy accepted and welcome by ASEAN.

China's dilemma is how to balance growth, reform and social stability. However, the degree of uncertainty will remain, as its domestic politics will dictate its behaviors. In all probability, China and ASEAN future relations will be a mixture of cooperation on some fronts and unresolved issues conducive to tension on the other fronts. China has not had enough interactions with the rest of the region in a cooperative way. What needs to be done is to narrow the gap between that reality and Beijing's perception of themselves as a great power. Hence, the policies of ASEAN countries with respect to China will be to encourage a combination negotiations (diplomacy) and balance of power. This is the only logical approach, as China will emerge as a major power. Interdependence, notwithstanding, will be another alternative, which encourages mutual benefits. The tasks for future leaders therefore are to make such

alternatives available and attractive. These are the future challenges and opportunity for China and ASEAN. A stabilized ASEAN-China relation should help stabilize the Asia-Pacific region, which is what both ASEAN and China seek to develop and prosper together. In summary, the relations between China and ASEAN clearly reflect the dictum 'there is no permanent enemies or friends only permanent interests'. Hence, the U.S. is always welcome as a counterbalance in the region.

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## ENDNOTES

<sup>1</sup> Andrew Scobell, *China and Strategic Culture* (Strategic Studies Institute, Carlisle Barracks: US Army War College, May 2002), 8.

<sup>2</sup> Harry Harding, "A Chinese Colossus?" *Journal of Strategic Studies*, Vol. 18, no. 3 (September 1995): 75.

<sup>3</sup> Charles A. Kupchan, "Empires and Geopolitical Competition," in *Turbulent Peace, The Challenges of Managing International Conflict*, ed. Chester A. Crocker, Fen Osler Hampson, and Pamela Aall (United States Institute of Peace Press, Washington D.C.: 2003), 44.

<sup>4</sup> Joseph S. Nye, Jr, "Soft Power and Conflict Management," in *Turbulent Peace, The Challenges of Managing International Conflict*, ed. Chester A. Crocker, Fen Osler Hampson, and Pamela Aall (United States Institute of Peace Press, Washington D.C.:2003),354.

<sup>5</sup> Chia Siow Yue, "Economic Cooperation and Integration in East Asia," *Asia Pacific Review* Vol. 11, no.1 (May 2004):8.

<sup>6</sup> Just a few years earlier Vietnam had a bitter conflict over Kampuchea with China.

<sup>7</sup> "Association of Southeast Asian Nations," <<http://en.wikipedia.org/wiki/ASEAN>>; Internet; accessed 22 December 2004.

<sup>8</sup> Chia Siow Yue, 8.

<sup>9</sup> Ibid.

<sup>10</sup> ASEAN vision 2020 was issued by the Second Informal Summit in Kuala Lumpur in 1997 consists of a number of vision statements to guide the activities in the various area of co-operation. ASEAN heads envisaged 'a conduct of SEA nations outward looking, living in peace, stability and prosperity, bonded together in partnership in dynamic development and in a community of caring society'.

<sup>11</sup> Charles W. Kegley Jr and Eugene R Wittkopf, *World Politics Trend and Transformation* (Fifth Edition, St Martin Press: 1995), 46.

<sup>12</sup> Joseph Frankel, *International Relations in a Changing World* (New Edition, Oxford University Press: 1988), 93.

<sup>13</sup> Ibid.

<sup>14</sup> Ezra F Vogel, "The Rise of China and the Changing Face of East Asia," *Asia Pacific Review* Vol. 11, no. 1 (May 2004): 50.

<sup>15</sup> Scobell, 3.

<sup>16</sup> Ibid.

<sup>17</sup> Defense White Paper includes the following elements: The Five Principles of Peaceful Coexistence, in the economic field all countries should open their markets to one another and in

the area of multilateralism China's promote mutual trust and understanding through dialogue and co-operation. The defensive nature of China's defense policy, springs from the country's historical and cultural traditions. China is a country with 5000 years of civilization, and a peace loving tradition. Ancient Chinese thinkers advocated, "Associating with benevolent gentlemen and befriending good neighbors", which shows that throughout history the Chinese people have longed for peace in the world and for the relations of friendship with the people of other countries.

<sup>18</sup> David Finkelstein and Michael McDevitt, "Competition and Consensus," <http://www.nyu.edu/globalbeat/asia>; Internet; accessed 21 October 2004.

<sup>19</sup> Vogel, 50.

<sup>20</sup> Ibid.

<sup>21</sup> Charles A. Kupchan, "Empires and Geopolitical Competition," in *Turbulent Peace, The Challenges of Managing International Conflict* ed. Chester A. Crocker, Fen Osler Hampson, and Pamela Aall (United States Institute of Peace Press, Washington D.C.:2003), 44.

<sup>22</sup> "ASEAN-China," < <http://www.mfaic.gov.kh/AMM/Background>>; Internet; accessed 21 October 2004.

<sup>23</sup> Eric Teo Chu Cheow, "China's Rising Soft Power in Southeast Asia," *Pacific Forum CSIS* (Honolulu Hawaii, May 3, 2004) [database on-line]; available from PacNet: accessed 21 October 2004.

<sup>24</sup> Mely Caballero- Anthony, "Major Milestone in ASEAN-China Relations," <http://www.ntu.edu.sg/idss>; Internet; accessed 21 November 2004.

<sup>25</sup> "China," *Far Eastern Economic Review* (Yearbook 1999):106.

<sup>26</sup> Scobell, 11.

<sup>27</sup> Winberg Chai, "Blueprints for War or Peace in Future China-Taiwan Relations: Two Important Documents," *Asian Affairs* Vol.31 no.3 (Fall 2004):153.

<sup>28</sup> Winberg Chai, 152.

<sup>29</sup> Ibid.

<sup>30</sup> Andrew Scobell, "The US Army and the Asia Pacific", (Strategic Studies Institute, Carlisle Barracks: US Army War College, April 2001): 11.

<sup>31</sup> Winberg Chai, 152.

<sup>32</sup> Scobell, *The US Army and the Asia Pacific*.11.

<sup>33</sup> Ibid.

<sup>34</sup> Vogel, 52.

<sup>35</sup> Scobell, *The US Army and the Asia Pacific*. 7.

<sup>36</sup> Vogel, 50.

<sup>37</sup> Lawrence E. Grinter, "Taiwan Debates the Future," *Pacific Forum CSIS* (Honolulu, Hawaii, November 23, 2003) [database on-line]; available from PacNet: accessed 20 October 2004.

<sup>38</sup> Chandran Jeshurun ed., *China, India, Japan and the Security of Southeast Asia* (Institute of Southeast Asia Studies: 1993), 147.

<sup>39</sup> Kevin Clements and Robin Ward ed., *Building International Community, Co-operating for Peace* (Allen & Unwin Australia Pty Ltd: 1994), 223.

<sup>40</sup> Chandran ed., 154.

<sup>41</sup> Ibid., 161.

<sup>42</sup> Ronald A. Rodriguez, "Conduct Unbecoming in the South China Sea," *Pacific Forum CSIS* (Honolulu, Hawaii, May 21, 2004) [database on-line]; available from PacNet: accessed 20 October 2004.

<sup>43</sup> B.A. Hamzah, "The Spratlies: What can be done to enhance confidence," *Institute of Strategic and International Studies* (Kuala Lumpur, 1990): 13-18.

<sup>44</sup> Realpolitik is a power/interest-oriented approach that is recommended to national leaders by realist scholars.

<sup>45</sup> Ronald A. Rodriguez, "Conduct Unbecoming in the South China Sea," *Pacific Forum CSIS* (Honolulu, Hawaii, May 21, 2004) [database on-line]; available from PacNet: accessed 20 October 2004.

<sup>46</sup> Ibid.

<sup>47</sup> Richard E. Hull, "The South China Sea: Future Sources of Prosperity or Conflict in South China Sea? *Strategic Forum* (National Defense University, Number 60, 1996), 27.

<sup>48</sup> Scobell, *China and Strategic Culture*. 7.

<sup>49</sup> "Chinese President Proposes Steps to Strengthen Partnership with ASEAN," December 16, 1997< <http://www.chinese-embassy.org.uk>>; Internet; accessed 20 October 2004.

<sup>50</sup> "China- A Survey," *The Economist* (March 8th-14th 1997): 25.

<sup>51</sup> "China's Economy," *The Economist* (October 24th-30th, 1998): 19-22.

<sup>52</sup> Ibid.

<sup>53</sup> Willy Wo-Lap Lam, *The Era of Jiang Zemin* ( Prentice Hall, 1999), 7.

<sup>54</sup> "Southeast Asia," *The Economist* (February 12th-18th 2000): 3.

<sup>55</sup> "ASEAN- China dialogue," <<http://www.asean.or.id>>; Internet; accessed 20 October 2004

<sup>56</sup> "A Swift Reversal of Fortune," *Asiaweek* (December 10, 1999):39.

<sup>57</sup> "Southeast Asia," *The Economist* (February 12th-18th 2000): 3.

<sup>58</sup> Chia Siow Yue, 9.

<sup>59</sup> Ibid.,11

<sup>60</sup> Ibid.

<sup>61</sup> Ibid., 3.

<sup>62</sup> Jean Chua, "Why ASEAN need not fear China's rise," *Business Times* <<http://business-times.asia1.com>>; Internet; accessed 20 October 2004.

<sup>63</sup> Ibid.

<sup>64</sup> Jane's Sentinel Security Assessment- North America, "External Affairs, United States," <<http://www4.janes.com/k2/docprint.jsp>>; Internet; accessed 28 October 2004.

<sup>65</sup> Robert Sutter, "Asia in the Balance: America and China's "Peaceful Rise," *Current History, A Journal of Contemporary World Affairs* (September 2004): 286.

<sup>66</sup> Scobell, *The US Army and the Asia Pacific*. 1.

<sup>67</sup> *The National Security Strategy of the United States of America* (Washington, D.C.: The White House, 17 September 2002)

<sup>68</sup> Joint Chiefs of Staff, *National Military Strategy of the United States of America* (Washington, D.C.:2004), 1.

<sup>69</sup> US Army War College International Fellows visit to HQ USPACOM, Camp Smith Honolulu on 12 November 2004.

<sup>70</sup> "China and the Philippines, Reef-stricken," *The Economist* (May 29th-June 4th 1999): 24-25.

<sup>71</sup> Robert A. Manning, "Clinton and China: Beyond Human Rights," *Orbis* Vol. 38, no. 2 (Spring 1994): 99.

<sup>72</sup> "The ASEAN Region and its Growing Importance to the United States," *US- ASEAN Business Council* (February 2003); available from <<http://www.us-asean.org>>; Internet; accessed 22 October 2004.

<sup>73</sup> Ibid.

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